

FISCAL IMPACT STATEMENT ON BILL NO. ***H.3010, As Amended – January 26, 2006***

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TO:	The Honorable Ronald P. Townsend, Chairman, House Education and Public Works Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Harry Bell, Tricia Tangney		
DATE:	February 6, 2006	SBD:	2006082

AUTHOR:	House Education and Public Works Committee	PRIMARY CODE CITE:	59-40-10
SUBJECT:	Charter Schools		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:

See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:

\$0 (No additional expenditures or savings are expected)

BILL SUMMARY:

House Bill 3010, as amended, would amend the Charter Schools Act of 1996. The Bill establishes the Carolina Public Charter School District and would establish the district's governance, powers and duties, and provide for the manner in which a Charter School sponsored by this district would be formed, funded, regulated and governed.

EXPLANATION OF IMPACT:

The estimates below are based on the Bill as amended January 26, 2006.

The impact on the General Fund of the State depends on the number of charter school applicants who choose to seek sponsorship from the Carolina Public School District (CPSD). The entity sponsoring a charter school is responsible for accepting, reviewing and, approving or disapproving charter schools applications. Technical assistance and continuous monitoring would also be provided. There are currently 27 charters schools statewide with another 6 anticipated to begin operation in the fall of 2006.

Based on a review by the State Department of Education it is estimated the CPSD would initially need 6.50 FTEs to include a Superintendent, Education Associate, Finance Officer, Director of Curriculum, Information Technology Manager an Administrative Assistant and a .50 Attorney. Total salary and fringe for these positions is estimated to be \$574,300. Other operating expenses including office space, supplies, materials, performance of an outside annual certified financial audit and the cost of holding public meetings are estimated to be \$166,800. One-time office set-up for 6.50 FTEs is estimated to be \$24,500 (\$3,500 per FTE). Therefore, initial costs for the CPSD are estimated to be \$765,600, of which \$741,100 is recurring. Costs and staffing needs would likely increase as the number of applicants for charter school sponsorship increases.

Section 59-40-155 states that all persons appointed to a charter school board of trustees after July 1, 2006 and administrators employed by a charter but not certified shall complete an orientation program provided at no charge by the State Department of Education. SDE estimates the annual cost of providing this orientation program to new board members and eight administrators at approximately \$35,000.

Section 59-40-140 (B) states that the CPSD shall distribute state funds to charter schools based on the current year's base student cost multiplied by the weighted students enrolled in the charter school. The Education

Finance Act (EFA) is funded with 70% state funds and 30% local matching funds. If it is the intent that the state pay 100% of the base student cost to charter schools sponsored by the CPSD there would be an additional impact on the state related to the 30% of EFA funds normally derived from the districts. There are currently 4,500 students attending charter schools. An additional 1,500 students are anticipated to begin attending charter schools next fiscal year (FY2006-2007). The average student carries an EFA weighting of 1.26 and the EFA is funded at \$2,290 for FY 2005-06. The impact for FY 2006-2007 and subsequent years depends on how many charter schools are sponsored by the CPSD. If 25% of the students are attending charter schools sponsored by the CPSD the impact could be estimated at \$1,298,430 (6,000 students x 25% x 1.26 WPU x \$2,290 BSC per BEA x 30% local match rate). If 50% of the students are attending charter schools sponsored by the Carolina Public School District the impact could be estimated at \$2,596,860.

SPECIAL NOTES:

SDE currently has a Charter School Office with two staff. The Office's primary responsibility is to administer a federal grants program designed to support the development and implementation of Charter Schools (regardless of the sponsor). It is assumed this office would remain in existence and as a part of the State Department of Education thereby bringing the total number staff in the state dedicated to Charter School operations to 8.50.

If the General Assembly funds the Education Finance Act at a base student cost of \$2,367 for FY 2006-07 and 25% of the students are attending a charter school sponsored by the CPSD the impact could be estimated at \$1,342,089. At 50% the cost would be \$2,684,178.

Approved by:

A handwritten signature in black ink that reads "Don Addy". The signature is written in a cursive, flowing style.

Don Addy
Assistant Director, Office of State Budget